



Testimony on AB 509
Senate Committee on Small Business, Emergency Preparedness,
Technical Colleges, and Consumer Protection
February 3, 2010

Morna Foy
Executive Assistant

I would like to thank Chairman Wirsch and the members of the Committee for this opportunity to comment on AB 509, a proposal to permit program revenue funding of technical college residence halls.

Under current law, a Technical College may make a capital expenditure of \$1.5 million to purchase or construct a facility. This expenditure authority applies to each single campus site over a two-year period. A capital expenditure greater than \$1.5 million made to purchase or construct a facility must be approved by public referendum. Pursuant to s. 38.04(10) Stats., all technical college facility projects must be approved by the local technical college District Board and the Wisconsin Technical College System Board.

As outlined in Administrative Code, the State Board considers a number of factors when reviewing technical college district facility development proposals, including:

- the need for the proposed facility;
- the design of the facility and how the allocation of space relates to the documented need;
- the reasonableness of the project cost;
- the environmental impact of the proposed facility;
- the energy efficiency and sustainability of the proposed facility; and
- the financial impact of the proposed facility. *(on rest of college + community)*

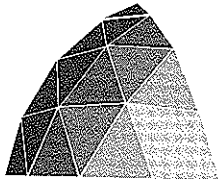
In the case of a student residence hall project, the demonstrated need would include documented, unmet student demand. The reasonableness of the project cost would include a comparison of similar housing rental capital projects within the geographic area. The financial impact analysis would include an analysis of the reasonableness of the projected student housing payment revenue and the anticipated student housing rental rates, based on a survey of the existing student housing market.

For any facility development project over \$1.5 million, the State Board uses a more rigorous, two-phased review process beginning with a Project Concept Review. This initial review considers the project at its conceptual stage with the primary focus on the need for the facility. While a limited amount of design and construction detail may be available at this stage, the Concept Review can identify areas of concern and factors the State Board would like the district to address in subsequent planning and development of the project. These issues, if any, are a focus of the second phase of the State Board review process. Following this additional review, a project must receive final State Board approval before a purchase or construction can begin.

AB 509, if enacted, would allow a Technical College to make a capital expenditure exceeding \$1.5 million to purchase or construct a student residence facility without public referendum approval, as long as the cost of the project is funded with student housing payments. AB 509 would also maintain a technical college's current ability to use up to \$1.5 million in regular capital expenditure authority to fund a student resident hall. However, if a college used this authority for a residence hall it would not be available for other facility projects on that campus for a two-year period.

The Wisconsin Technical College System Board supports passage of AB 509 because it will provide a mechanism for technical colleges to offer safe, appropriate and affordable student housing, if needed, without expanding technical college property tax levy or expenditure authority. In addition, AB 509 ensures appropriate public accountability for these projects by maintaining current local district board and State Board facility oversight and approval requirements.

Thank you for your consideration of this proposal. I would be happy to answer any questions.



**WISCONSIN TECHNICAL COLLEGE
DISTRICT BOARDS ASSOCIATION**

Testimony Supporting AB 509
Exempting Residence Hall Revenue from Capital Project Limits

Senate Committee on Small Business, Emergency Preparedness, Technical Colleges
and Consumer Protection

Senator Robert Wirsch, Chair

February 3, 2010

Chairman Wirsch and Members of the Committee,

The Wisconsin Technical College District Boards Association, representing the local governing bodies of our sixteen technical colleges, supports AB 509. The Association appreciates the opportunity to testify today. While you are considering the Assembly-passed bill version, we want to extend our special thanks to Senator Jim Holperin for sponsoring the identical companion bill, SB 378.

AB 509 provides important flexibility to technical college districts that promotes taxpayers' best interests while continuing to assure solid accountability in capital project development. While only Western Technical College intends to use the bill's authority in the immediate future, this bill is of interest to and is supported by other technical colleges.

Under this bill, Western Technical College could purchase a new residence hall being developed to replace antiquated and less safe student housing. Because the bill allows student lease payments to pay off the debt incurred for this project, the college would not use taxpayer funds to do so. This project is being built on land formerly occupied by student housing that the City, Western, and others uniformly agree was rapidly becoming unsuitable as safe and healthy housing.

Western has worked with the City of La Crosse and other key partners in developing this and other projects. Several years ago, Western, UW La Crosse, Viterbo University, and two major health care networks partnered to create a unique medical health care and training facility through the La Crosse Medical Health Science Consortium. Western gave up its former residence hall location to make that project a reality. Since then, the college has

leased residence hall space in what was once a motel. This is no longer suitable space for use as a residence hall.

In addition to community input and support, Western's residence hall project has been carefully reviewed and approved by the Western District Board and the Wisconsin Technical College System staff and Board. These detailed review and multi-step approval processes assure every college building project: meets codes and state law for public buildings, is appropriately designed and functional, and is a solid investment and value for taxpayers, among other considerations.

As part of this accountable capital projects model, we support maintaining current law requiring direct taxpayer approval for projects involving a significant investment of public funds. The requirement for district-wide referendum approval of capital projects investing more than \$1.5 million in general public funding remains in place under AB 509.

It is important to note that only students who live in the new residence hall will pay for the project's costs. This bill applies only to residence hall lease fees and does not apply to general student fees assessed to all students. Like state and local taxpayer funding and student tuition revenue, general student fees are considered to be "district funds" and are subject to the referendum requirement when used for major capital projects. Other than the new flexibility created by AB 509, funding outside the referendum requirement includes gifts, grants and most federal funding.

We were pleased that AB 509 passed the full Assembly with bipartisan support. We appreciate your consideration and urge you to support AB 509.

Thank you.

Paul Gabriel
Executive Director

2/3/10

Dr. Lee Rasch
Ed. D. President
Western Wisconsin Technical
Talking Points for the College
Residence Hall Bill

My Notes:



State of Wisconsin
2009 - 2010 LEGISLATURE

LRB-3739/1
PG:bjk:jf

2009 SENATE BILL 378

October 29, 2009 - Introduced by Senators HOLPERIN, TAYLOR, VINEHOUT and KREITLOW, cosponsored by Representatives SHILLING, DANOU, HUIBERSCH, HINSON, SOLETSKI, NERISON, MASON, BROOKS, TOLES, MOLEPSKE JR. and ZEPNICK. Referred to Committee on Small Business, Emergency Preparedness, Technical Colleges, and Consumer Protection.

- 1 AN ACT to create 38.15 (3) (e) of the statutes relating to: exempting certain
- 2 capital expenditures made by a technical college district from the requirement
- 3 for a referendum.

Analysis by the Legislative Reference Bureau

Under current law, if a technical college district board intends to make a capital expenditure in excess of \$1,500,000 for the purchase or construction of buildings or for the lease/purchase of buildings (if costs exceed \$1,500,000 for the lifetime of the lease), it must adopt a resolution stating its intention and submit the resolution to the electors of the district for approval.

This bill provides that in determining whether this referendum requirement applies to a capital expenditure partially funded with student housing payments for the purchase or construction, or the lease/purchase, of a student residence facility, that portion of the capital expenditure consisting of student housing payments is subtracted.

For further information see the state and local fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

- 4 SECTION 1. 38.15 (3) (e) of the statutes is created to read:

2009 - 2010 Legislature
SENATE BILL 378

- 2 -

LRB-3739/1
PG:bjk:jf
SECTION 1

- 1 38.15 (3) (e) That portion of a capital expenditure funded with student housing
- 2 payments for the purchase or construction, or the lease/purchase, of a student
- 3 residence facility.

SECTION 2. Initial applicability.

- 4 (1) This act first applies to district board resolutions adopted on the effective
- 5 date of this subsection.

7 (END)

- The Wisconsin Technical College State Board has approved the lease agreement for a new 200 bed residence hall adjacent to the technical college campus in La Crosse. This new facility is scheduled to open in August 2010. The lease, as approved, has a purchase option. The new facility will replace a leased facility (the old Ivy Motel) which has outlived its usefulness as a student housing facility.

- Western has over 30 years of experience with residence halls. We have experience with providing program and other supports for students in the residence hall. In the analysis of our current student residence hall population, it has been determined that the residence hall students have a higher GPA than the general population and the retention rate is considerably higher (semester to semester rate: residence hall students = 89.9%, general population = 66.2%). The typical residence hall student comes from a small town in our region. Safe, secure and cost-effective housing is important to these students and their parents.

- The new residence hall is being viewed by many students as a preferred housing option. As of this date, the new facility has 160 students on the waiting list for fall 2010.

- The University of Wisconsin has a well

established practice of funding residence hall construction using student rental fees to retire building debt. Currently, this option is not available within the Wisconsin Technical College System (WTCS). LFB 3496 will allow the WTCS the same ability to use rental fees that is currently available to the University of Wisconsin.

- If LFB 3496 is approved, the College will initiate the purchase of the new residence hall through existing bonding authority and retire the debt through the student rental fees received. This option will allow the college to acquire the facility with no cost to taxpayers.

- The residence hall is considered an auxiliary enterprise. The WTCS approval process is rigorous; we are prohibited from using general purpose revenue (tuition, property tax or state aid) to subsidize an auxiliary enterprise. Essentially, the residence hall must pay for itself, funded by those that use it.

November 2, 2009

Dear Dr. Lee Rasch,

The students of Western would like to express our support for the College's lead in changing the law regarding capital expenditures of technical college residence facilities (AB 509).

We recognize that this action will allow the college to acquire the facility without referendum at no cost to the taxpayer. Furthermore, this action will allow the College to reduce monthly rental fees in the process.

We appreciate that Western is looking after the best interest of students by pushing for this resolution that will ultimately reduce the cost of education for those students that participate in the 'Essential Experience' of living in the residence hall. Based on the 160 students already on the wait list for fall 2010, this must be viewed as a preferred housing option for students. This is a sure sign that Western is doing their best to fulfill an unmet need.

We also recognize that Western's pledge of reducing the campuses' greenhouse emissions by signing the 'American College and University President's Climate Commitment', and commend the efforts in meeting the U.S. Green Building Council's LEED Silver standard or equivalent, with the new residence hall. We hope this letter of support from Student Government will assist in meeting project goals, and help in gaining support from legislators throughout the state.


Sincerely,

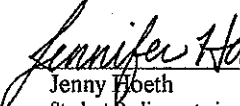
Western Student Government



Tim Hyma
Student President



Claude Lane
Student Vice President


Vicky Brenes
Student Governor

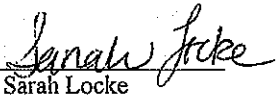

Sandy Schulz
Student LT Governor


Jennifer Hoeth
Student Parliamentarian


Stacy Ann Gillespie
Treasurer


Tyler Walter
Secretary


Josh Blakeley
Historian


Sarah Locke
Public Relations

THE SSENTIAL EXPERIENCE

Student Housing at Western

Part of the Essential Experience

Western
Technical College
THE ESSENTIAL EXPERIENCE

THE SSENTIAL EXPERIENCE

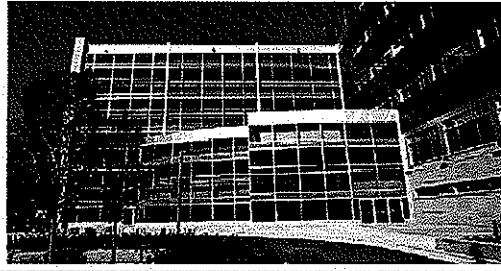
History of Student Housing at Western



Western has operated non-subsidized student housing for over 30 years, starting with the purchase of its first residence hall on 13th & Badger Street in 1977 (served roughly 110 students).

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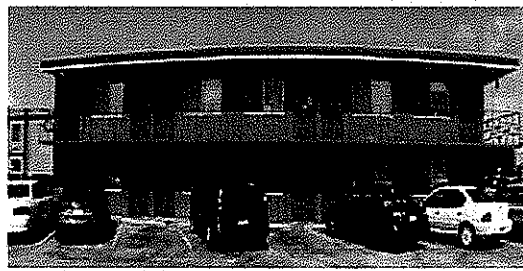
History of Student Housing at Western



In the spring of 1998 Western closed its residence hall in order to provide a site for the new Health Science Center on 13th & Badger. The Health Science Center is a State approved project which provides shared space for the University of Wisconsin La Crosse, Viterbo University, Western Technical College, Gundersen Lutheran Healthcare and Franciscan Skemp Mayo Health System.

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History of Student Housing at Western



In August 1998, Western entered into a temporary lease for use of the Ivy Motel (serves roughly 104 students). Western's lease of the Ivy Motel will expire on August 16, 2010.

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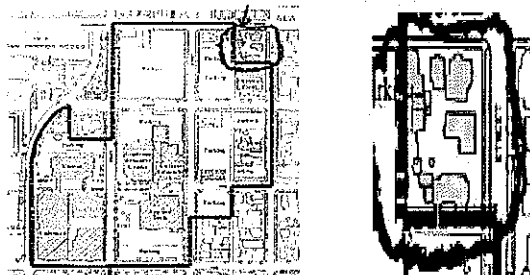
Future of Student Housing at Western



Construction has begun on a new residence hall that will serve 200. It is located adjacent to the La Crosse campus and will open in the Fall of 2010.

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Future of Student Housing at Western



Location

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Future of Student Housing at Western

- Construct a new residence hall adjacent to the La Crosse campus
- Allows students to walk to class
- Allows students to have free access to La Crosse's Municipal Transit System
- Utilization of existing open air parking lots
- Expands student life opportunities
- Provides safe and secure housing option
- Supports neighborhood revitalization

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Residence Hall Students at Western

- Student Retention (semester to semester retention)
 - **College Rate = 66.2%** **Residence Hall Student Rate = 89.9%**
- Most Important Factor in Decision to Attend Western
(1= not important and 5 = most important)
 - **3.85**
- Residence Hall Students
 - **90% From WI** **10% Out of State**

* Data collected from 2006-2007 residence hall students

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"Conditional Approval"

Western cannot financially subsidize the residence hall from its general operating fund. Therefore Western residence hall students will carry the burden of all of the costs. The burden on the students/parents would be less if Western could own the facility.

Property taxes will increase the student/parent costs.

The higher cost of capital (interest rate) for the developer as compared to Western will increase the student/parent costs.

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Other Long-Term Benefits of Western Ownership Through "Auxiliary" Bonding

Eliminates the need for a tax-payer supported referendum to purchase the facility.

Creates a new long-term revenue source for Western that will offset current operating costs that are dependent on state aid, property tax and tuition increases.

Protects Western's investment and future investments in the area.

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Questions?

Thank you for your time.

Michael Pieper

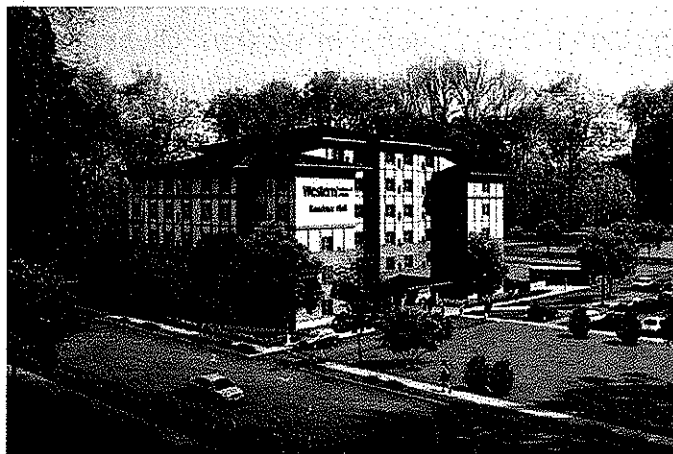
Vice President of Finance and Operations

400 7th Street North

La Crosse, WI 54602

(608) 785-9120

THE SSENTIAL EXPERIENCE





Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

July 30, 2009

TO: Representative Jennifer Shilling
Room 320 East, State Capitol

FROM: Emily Pope, Fiscal Analyst

SUBJECT: Financing of Recent UW Residence Halls

At your request, I am providing information regarding the financing of residence halls on UW campuses in recent building programs.

Following UW Board of Regents policy, capital costs related to auxiliary enterprises and revenue-generating activities should be funded by user fees. Consistent with this policy, UW residence hall projects are typically financed with program revenue supported borrowing with debt service to be paid by revenue generated from residence hall fees. Certain projects may also be financed in part with cash reserves similarly generated from residence hall fees.

The table below lists the UW residence hall projects that were enumerated as part of the 2005-07, 2007-09, and 2009-11 biennial budgets. All residence hall projects enumerated as part of the 2005-07 and 2007-09 biennial budgets were to be financed entirely by program revenue supported borrowing with debt service to be paid using residence hall fees. Of the residence hall projects enumerated as part of the 2009-11 biennial budget, the Lakeshore residence and food service project at Madison (\$1,688,000 PR) and the residence hall project at La Crosse (\$5,000,000 PR) included some program revenue cash. This cash will be drawn from reserves accumulated from past residence hall fees. Of the total amount enumerated for residence hall projects in that biennium, \$120,859,000 would be program revenue supported borrowing and \$6,688,000 would be program revenue cash.

UW Residence Halls Enumerated as Part of the Biennial Budget, 2005-07 to 2009-11

<u>Project</u>	<u>Campus</u>	<u>Enumeration</u>
2005-07 Biennium		
Purchase of Facilities at 21 and 35 N. Park Street*	Madison	\$46,832,200
Purchase of Residence Hall (West of Longhorn Drive)	Platteville	20,000,000
Sayles Residence Hall Renovation	Whitewater	<u>6,821,000</u>
Subtotal		\$73,653,200
2007-09 Biennium		
Chadbourne Residence Hall -- Phase 3 and Barnard Residence Hall	Madison	\$14,627,000
Suite Style Residence Hall	Oshkosh	34,000,000
Suite Style Residence Hall	Parkside	17,740,000
George Fields South Forks Residence Hall Addition	River Falls	14,714,000
Suite Style Residence Hall	Stevens Point	36,205,000
Residence Halls Renovation	Stevens Point	19,995,000
Suite Style Residence Hall	Whitewater	<u>35,728,000</u>
Subtotal		\$173,009,000
2009-11 Biennium		
Residence Hall	La Crosse	\$49,500,000
Lakeshore Residence Hall and Food Service*	Madison	59,463,000
Residence Hall Upgrades	Platteville	10,000,000
Fisher and Wellers Halls Renovation	Whitewater	<u>8,584,000</u>
Subtotal		\$127,547,000

*Project included parking or food service facilities.

I hope this information is helpful. Please contact me if you have any additional questions.

EEP/le

**WISCONSIN
TECHNICAL COLLEGE
SYSTEM**

